

FY 2015 Nonprofit Mail Cost Approximations

I. PREFACE

A. Purpose and Content

USPS-FY15-27 approximates the unit costs, total costs and contribution associated with Nonprofit Standard Mail by using the volumes and revenues associated with Nonprofit Standard Mail in conjunction with estimated unit costs by product, shape and rate category for Standard Mail. Because the Postal Service's data systems do not collect cost information separately for Nonprofit and Commercial mail, the estimated costs reported for Standard Mail represent costs for the combined categories. Although it may be reasonable to assume, for instance, that an Automation 5-Digit Nonprofit letter and an Automation 5-Digit Commercial letter would have similar costs, there may be cost-causing characteristics which are not explicitly incorporated into the cost models and which may vary for Nonprofit relative to those for Commercial mail. The Postal Service does not represent that USPS-FY15-27 necessarily reflects the actual costs of Nonprofit mail, but rather, it approximates the costs of Nonprofit mail assuming that the costs of Nonprofit mail are the same as the costs of Standard Mail, at the disaggregated level.

B. Predecessor Documents

USPS-FY14-27

C. Methodology and Changes from USPS-FY14-27 Methodology

The methodology used in this analysis follows that of USPS-FY14-27. The billing determinants for Nonprofit Standard Mail from USPS-FY15-4 for the full fiscal year 2015 were used as the source of the file display and the revenue and volume data. The estimated unit costs by product, shape, and rate category from USPS-FY15-30, FY15 NSA Unit Cost Detail Data Calculations.xlsx, were used as the source of most of the estimated unit costs, with the detailed estimated mail processing unit costs for Standard Mail Parcels obtained from USPS-FY15-12. The "Other Costs" were obtained by volume-weighting the unit costs already determined, summing and subtracting from the "CRASummary" total unit cost. As necessary, those unit costs were adjusted to accommodate the destination entry cost avoidances by shape from USPS-FY15-13. As the average costs for the categories of Standard Mail do not represent the transportation and nontransportation costs of "nondropship" mail, but rather, the weighted average of dropship and nondropship mail, the unit costs for nondropship mail are increased whereas the costs for dropshipped mail are decreased relative to the national average costs. The dropship adjustments for letters and flats include both the transportation and nontransportation cost avoidances, but for Standard Mail Parcels and Marketing Parcels, the nontransportation cost avoidances for various levels of destination entry are already included in the unit costs provided by USPS-FY15-12.

Thus, the adjustments to Standard Mail Parcels and Marketing Parcels in tab “Dropship Adjustment” only include the transportation dropship cost avoidances. The barcode cost is obtained from USPS-FY15-12, the Standard Mail Parcel Mail Processing Unit Cost model.

For Parcels and Marketing Parcels in the category formerly known as ECR, the Mail Processing costs were derived from USPS-FY15-18, FY15 ECR Unit Costs.xlsx, tab “Table 1”. Window Costs, Vehicle Service Driver Costs, and Transportation Costs were obtained from FY 15 NSA Unit Cost Detail Data Calculation.xlsx, tab “CRASummary” multiplied by the appropriate piggyback in tab “Piggys” and divided by the appropriate RPW volume. Costs are developed separately for Carrier Route Basic, and for High Density and Saturation, but not all of the costs for High Density and Saturation could be separated out for these categories. The Delivery costs for Carrier Route Basic, High Density and Saturation were provided separately and were from tab “Delivery” in the same workbook. The “Other Costs” were obtained by volume-weighting the unit costs already determined, summing and subtracting from the CRASummary total unit costs for Carrier Route Basic, and High Density and Saturation Flats and Parcels. Total Costs for each were the sums of the unit costs, including the “Other Costs”.

The unit costs were applied to the appropriate Nonprofit volumes to approximate the total costs. The total costs, revenues and contribution by product are summarized.

D. Input/Output

The Nonprofit Standard Mail cost approximations obtain information from:

<u>Input Source</u>	<u>Input Description</u>
USPS-FY15-2	Standard Mail Parcels and Marketing Parcels costs by cost segment
USPS-FY15-4	Standard Mail billing determinants
USPS-FY15-12	Standard Mail Parcel/Marketing Parcel mail processing unit cost estimates and unit cost avoidance by barcoded parcels
USPS-FY15-13	Standard Mail destination entry cost avoidance estimates
USPS-FY15-18	FY 2015 ECR mail processing unit costs
USPS-FY15-19	Unit cost of Detached Address Labels
USPS-FY15-30	FY 2015 detailed unit costs

USPS-FY15-42

FY 2015 RPW

The approximated Nonprofit Standard Mail costs and contribution figures are not used in any other folder in this docket.

II. ORGANIZATION

In addition to this Word preface, USPS-FY15-27 consists of one Excel file, StandardNonprofit2015.xlsx.